

HENRY A. WAXMAN, CALIFORNIA
CHAIRMAN

TOM DAVIS, VIRGINIA
RANKING MINORITY MEMBER

ONE HUNDRED TENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6143

Majority (202) 225-5051
Minority (202) 225-5074

To: Republican Committee Members
Fr: Republican Staff
Re: 3/3/2008 Majority Report on Medicaid

**THE MAJORITY'S REPORT ON STATE MEDICAID ESTIMATES:
WRONG QUESTIONS, WRONG ANSWERS**

BACKGROUND

Medicaid is required to be the payer of last resort. However, because of substantial federal matching funds that are available, some states have found ways to make Medicaid the preferred payer for everything from youth correctional activities to transportation of children to school primarily for educational activity. Given this dynamic, the Government Accountability Office (GAO) has deemed the Medicaid program as high risk for potential fraud and abuse. Today, Medicaid is the only program to surpass Social Security in federal spending and the Congressional Budget Office estimates federal Medicaid spending will double over the next ten years.

THE REPORT'S IMPACT ESTIMATES ARE UNRELIABLE.

“These estimates should be viewed with caution, for several reasons.”

This disclaimer is buried in page 9 of the report. The design of the report is fundamentally flawed. Asking states to measure the impact of limitations on federal Medicaid funding is akin to asking them how much they would like the federal government to supplement state

budgets. Inherently, the incentive is to overestimate the impact of these regulations.

THE REPORT FAILS TO ADDRESS THE FUNDAMENTAL QUESTION-ARE THE PROPOSED POLICY CHANGES WARRANTED?

The report does not attempt to consider whether or not the policies being proposed address valid concerns, including fraud and abuse. The report simply assumes anything resulting in less federal government spending must be inherently flawed.

THE REPORT AND STATE RESPONSES HIGHLIGHT INAPPROPRIATE STATE ACTIVITY.

For example, the Illinois Medicaid Director explained that, “we have used Medicaid payments in excess of Medicaid costs to maintain access to needed care by uninsured individuals who are not Medicaid-eligible.” Medicaid funding should not be used for individuals who are not beneficiaries or for services unrelated to health care.

THE REPORT SHOWS HOW SOME STATES ARE ESPECIALLY ADEPT AT GAMING THE SYSTEM.

According to the report, California is absorbing 22% of the total impact of these regulations, which is double the state’s portion of Medicaid spending.¹ As it relates to the proposed rule to redefine outpatient hospital services, California accounts for 64% of the overall estimated impact of the rule. Only four states reported a quantifiable impact of the proposed policy with 21 states and the District of Columbia reporting no impact at all from the rule. When some states game the system it undermines the funding for all states.

¹ California’s state and federal Medicaid spending in 2006 accounted for 11% of the overall Medicaid spending. The Henry J. Kaiser Family Foundation, Medicaid Spending (in millions) in FY 2006 (online at <http://www.statehealthfacts.org/comparecat.jsp?cat=4>)